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STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 11173
der No. R-10309

APPLICATION OF W. M. GALLAW
FOR DOWNHOLE COMMINGLING
RIO ARriba COUNTY, NEW MEXI

TriX # 2
11-5-26N-2W
320

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ORDER OF

BY THE DIVISION:

OIL CON. DIV.
DIST. 3

This cause came on for hearing at 8:15 a.m. on January 5 and February 2, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 6th day of February, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, W. M. Gallaway, seeks approval to downhole commingle Blanco-Mesaverde Gas and Gavilan-Mancos Oil Pool production within the wellbore of its TriX Well No. 2 located 790 feet from the South line and 990 feet from the West line (Unit M) of Section 5, Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(3) All of Section 5 is currently dedicated to the subject well in the Gavilan-Mancos Oil Pool, and the applicant proposes to dedicate the W/2 of Section 5 to the subject well in the Blanco-Mesaverde Gas Pool thereby forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The subject well was drilled in 1993 and completed in the Gavilan-Mancos Oil Pool at an initial daily producing rate of approximately 72 barrels of oil, 8 barrels of water and 130 MCF gas.

(5) The applicant submitted current production data (as of October, 1994), which indicates that the subject well currently produces at a rate of approximately 38 barrels of oil and 58 MCF gas per day.

(6) The applicant proposes to recomplete the subject well to the Blanco-Mesaverde Gas Pool and subsequently downhole commingle the production from both pools in the wellbore.

(7) The Mesaverde formation within the W/2 of Section 5 has previously been tested by the Palmer Oil and Gas Company Stevenson Well No. 3 which was drilled in 1977 at a standard gas well location 800 feet from the South line and 1700 feet from the West line (Unit N) of Section 5. This well tested uneconomic rates in the Mesaverde formation and was subsequently plugged and abandoned.

(8) Gas production from the Mesaverde formation within the W/2 of Section 5 should be marginal.

(9) The evidence indicates that the proposed downhole commingling is necessary in order to economically recover the remaining oil and gas reserves in the Mesaverde and Mancos formations.

(10) The applicant further demonstrated through its evidence and testimony that:

- a) neither commingled zone exposes the other to damage by produced liquids;
- b) the fluids from each zone are compatible with the other; and
- c) the value of the commingled production is not less than the sum of the values of the individual production.

(11) The applicant did not present bottomhole pressure data for either the Mancos or Mesaverde formation as required by Division Rule No. 303(C). The applicant did testify, however, that such data will be obtained when recompletion operations are commenced on the subject well.

(12) According to applicant's evidence and testimony, interest ownership between the subject pools is not common.

(13) All interest owners and offset operators were notified of the subject application and no such interest owner and/or offset operator appeared at the hearing in opposition to the application.

(14) In the interest of prevention of waste and protection of correlative rights, the subject application should be approved, provided however that the applicant should be required to obtain bottomhole pressure data from both the Mancos and Mesaverde formations and should submit such data to the Division prior to commingling.

(15) According to applicant's evidence and testimony, it will conduct a production test on the Mancos formation and on the commingled Mesaverde-Mancos interval subsequent to recompletion in order to obtain data for the purpose of determining a proper allocation of production.

(16) Subsequent to conducting said production test, the applicant should consult with the supervisor of the Division's Aztec District Office in order to determine a proper allocation of production from the subject well.

(17) To afford the Division an opportunity to assess the potential of waste and to expeditiously order the appropriate remedial action, the operator should notify the Aztec District Office of the Division any time the subject well is shut-in for seven consecutive days.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, W. M. Gallaway, is hereby authorized to downhole commingle Blanco-Mesaverde Gas and Gavilan-Mancos Oil Pool production within the wellbore of its Trix Well No. 2 located 790 feet from the South line and 990 feet from the West line (Unit M) of Section 5, Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(2) The W/2 of Section 5 shall be dedicated to the subject well in the Blanco-Mesaverde Gas Pool thereby forming a standard 320-acre gas spacing and proration unit for said pool.

(3) Prior to commingling, the applicant shall obtain bottomhole pressure data from both the Mancos and Mesaverde formations and shall submit such data to the Division.

(4) The applicant shall conduct a production test on the Mancos formation and on the Mancos-Mesaverde commingled interval after recompletion in order to gather sufficient data to determine an accurate allocation of production.

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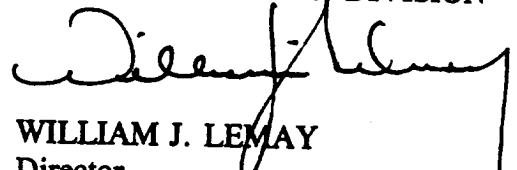
(5) Subsequent to conducting said production test, the applicant shall consult with the supervisor of the Division's Aztec District Office in order to determine a proper allocation of production from the subject well.

(6) The operator shall immediately notify the supervisor of the Aztec District Office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.

(7) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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